

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 2776 – HB 3236

February 9, 2010

SUMMARY OF BILL: Exempts from state and local sales and use tax the sale of blood glucose monitoring devices, including repairs, supplies or attachments, which are sold pursuant to a prescription by a licensed practitioner of the healing arts.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$200,000

Decrease Local Revenue – Exceeds \$100,000

Assumptions:

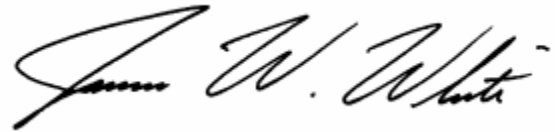
- Total industry sales for all diabetic testing equipment and supplies could not be determined; industry sales for diabetic test strips were obtainable.
- According to the Department of Revenue (DOR), the diabetes test strips market in the United States was approximately \$3.0 billion in calendar year 2008.
- National test strips market remains constant in subsequent years.
- According to the U.S. Census, the estimated population in Tennessee during 2009 was 6,296,254; the estimated population for the United States is currently 308,578,477.
- The population in Tennessee accounts for 2.04 percent of the national population ($6,296,254 / 308,578,477 = 2.04\%$).
- Tennessee accounts for 2.04 percent of the national test strips market (\$61,200,000).
- According to DOR, test strips which are used in hospitals are currently exempt from sales tax.
- Forty percent of test strip market in Tennessee (\$24,480,000) is estimated to pertain to strips used in hospitals.
- The sales taxable test strips market in Tennessee is estimated to be \$36,720,000 per year ($\$61,200,000 - \$24,480,000 = \$36,720,000$).
- Five percent of the sales taxable test strip market in Tennessee (\$1,836,000) is attributable to licensed practitioners of the healing arts.
- The state sales tax rate is currently seven percent.
- The average local option sales tax rate is estimated to be 2.5 percent.
- The decrease to state revenue as a result of exempting test strips is estimated to be \$128,500 per year ($\$1,836,000 \times 7.0\% = \$128,520$). When taking into consideration

exemptions for blood glucose monitoring devices, repairs, and other supplies, the decrease to state revenue is reasonably estimated to exceed \$200,000 per year.

- The decrease to local revenue as a result of exempting test strips is estimated to be \$45,900 per year ($\$1,836,000 \times 2.5\% = \$45,900$). When taking into consideration exemptions on blood glucose monitoring devices, repairs, and other supplies, the decrease to local government revenue is reasonably estimated to exceed \$100,000 per year.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/rnc